

1                                   **DIRECT TESTIMONY OF**  
2                                   **SAMUEL L. DOZIER**  
3                                   **ON BEHALF OF**  
4                                   **CAROLINA GAS TRANSMISSION CORPORATION**  
5                                   **F/K/A SOUTH CAROLINA PIPELINE CORPORATION**  
6                                   **DOCKET NO. 2007-6-G**

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7  
8   **Q.   PLEASE STATE YOUR NAME AND POSITION.**

9   A.           I am Sam Dozier, Vice President, Commercial & Field Operations for  
10           Carolina Gas Transmission Corporation ("CGTC"), formerly known as South  
11           Carolina Pipeline Corporation ("SCPC" or "Company"). While SCPC is now  
12           known as CGTC, in this testimony I will generally refer to SCPC because that was  
13           the operating entity for the period under review in this proceeding.

14   **Q.   PLEASE DESCRIBE YOUR EDUCATION, BACKGROUND AND**  
15   **BUSINESS EXPERIENCE.**

16   A.           I am a native of Marion County, South Carolina and graduated from  
17           Clemson University with a degree in Mechanical Engineering. I have a Master of  
18           Business Administration degree from the University of South Carolina. Over the  
19           years, I have served in a number of positions at SCANA Corporation ("SCANA").  
20           Most recently, I served as SCPC's Vice President for Customer Service and  
21           Market Development. I held this position for ten years until January 2006 when I  
22           was named Vice President, Commercial & Field Operations for SCPC.

1 **Q. WHAT WERE YOUR DUTIES WITH SCPC DURING THE REVIEW**  
2 **PERIOD?**

3 A. As Vice President, Commercial & Field Operations for SCPC, my  
4 responsibilities included the day-to-day management of SCPC's relationships with  
5 its customers and the marketing of new capacity on SCPC's system. My other  
6 corporate duties included oversight of certain operations at SCPC. Specifically, I  
7 was in charge of the Company's construction projects, right-of-way acquisition  
8 and maintenance, engineering, and environmental compliance.

9 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

10 A. This testimony explains how SCPC capably and reliably met its service  
11 requirements at prudently incurred costs under its Purchased Gas Adjustment  
12 ("PGA") and Gas Purchasing Policies for the period of January 1, 2006 through  
13 October 31, 2006. At the outset of my testimony, I provide a brief overview of  
14 SCPC's system from an operating standpoint and explain the principal facilities  
15 that comprised the system, discussing the capacity of the system to serve SCPC's  
16 customers. Next, I discuss SCPC's customers, rates and contracts. Concluding  
17 my testimony, I provide the Commission with an update on the completed merger  
18 between SCPC and SCG Pipeline, Inc. ("SCG"), which resulted in the formation  
19 of CGTC, an interstate transportation pipeline.

1 **Q. PLEASE DESCRIBE SCPC'S SYSTEM FROM AN OPERATIONS**  
2 **STANDPOINT.**

3 A. SCPC operated a high-pressure, intrastate natural gas system consisting of  
4 approximately 1,449 miles of transmission pipeline, which provided natural gas,  
5 either directly or indirectly to 40 of South Carolina's 46 counties. The Company  
6 received gas from the interstate pipelines operated by Southern Natural Gas  
7 Company ("Southern") and Transcontinental Gas Pipe Line Corporation  
8 ("Transco"). SCPC was Southern's largest customer downstream of Atlanta.  
9 SCPC's principal receipt point from the Southern system was at Aiken and its  
10 principal receipt point from Transco was at Grover.

11 In addition to Southern and Transco, SCPC also had the ability to receive  
12 gas from a third interstate pipeline, namely SCG. SCPC received gas from SCG  
13 on an interruptible basis through a receipt point in Jasper County.

14 **Q. PLEASE DESCRIBE THE COMPRESSION FACILITIES SCPC**  
15 **OPERATED.**

16 A. SCPC operated compressor stations at Aiken Southern, Grover, and  
17 Camden. These compressor stations used gas-powered turbines to move gas into  
18 and through SCPC's system and to raise the pressure of gas within the Company's  
19 lines. Located on these sites are a total of twenty-four (24) 1,050 horsepower  
20 compressors. These compressors allowed the Company to increase the throughput  
21 of the system, to control the pressure on the system, and to control the amount of

1 gas stored in the system through a concept called “line pack.”

2 Through the Aiken Southern station, SCPC could use the compression  
3 capability to whichever route had the greatest need – south to Charleston, east to  
4 Columbia, northeast to Bethune, or to the Clinton-Newberry service area. This  
5 capability provided SCPC with great flexibility and operational control  
6 characteristics.

7 **Q. WHAT LIQUEFIED NATURAL GAS (“LNG”) FACILITIES DID SCPC**  
8 **OPERATE?**

9 A. SCPC operated LNG facilities at Bushy Park, South Carolina, near North  
10 Charleston, and at Salley, located in western Orangeburg County. These facilities  
11 allowed SCPC to store natural gas in a liquid form and inject vaporized gas into  
12 SCPC’s system when needed. The LNG facilities were used primarily to meet  
13 peak demands on the system and as a backup supply of gas in emergency  
14 situations.

15 As Mr. Wingo will testify in greater detail, SCPC’s management analyzed  
16 and considered the supply and interstate capacity aspects of its business on an on-  
17 going basis in order to provide safe, reliable, and economical natural gas service to  
18 South Carolina. Variables related to the growth of our State and the demand on  
19 SCPC’s system were carefully balanced with corresponding supply and capacity  
20 needs.

1   **Q.   WHAT WERE THE CAPACITIES OF THE LNG FACILITIES DURING**  
2   **THE PERIOD UNDER REVIEW?**

3   A.       The Bushy Park facility had the capability of converting natural gas into a  
4   liquid, a process known as liquefaction. It could store up to 980,000 Mcf  
5   (thousand cubic feet) of LNG. The Salley facility had the capability of storing up  
6   to 900,000 Mcf of trucked-in LNG.

7   **Q.   PLEASE DESCRIBE THE CUSTOMERS THAT SCPC SERVED DURING**  
8   **THE REVIEW PERIOD.**

9   A.       SCPC served two distinct classes of customers:

10         **Sale for Resale Customers.** SCPC's sale for resale customers were  
11   investor owned or governmentally owned gas distribution systems which resold  
12   gas to residential, commercial and industrial customers in their service areas.  
13   SCE&G's local gas distribution system was the largest member of this group of  
14   customers. In addition, SCPC served 10 publicly owned sale for resale customers,  
15   including the York, Chester and Lancaster Natural Gas Authorities (which  
16   together comprise the Patriots Energy Group joint municipal gas agency), the  
17   Clinton-Newberry Natural Gas Authority, the City of Orangeburg Department of  
18   Public Works, and other smaller systems around its service territory.

19         **Industrial Customers.** In addition to SCPC's sale for resale customers,  
20   the Company also served approximately 50 direct industrial customers during the  
21   review period. These were industrial gas users that were connected directly to

1 SCPC's facilities. Examples of major direct industrial customers of SCPC were  
2 Eastman Chemical Company, through its Voridian Division, in Calhoun County,  
3 several textile plants operated by Milliken & Company in the Upstate, Smurfit-  
4 Stone Container in Florence, Nucor Steel in Berkeley County and Darlington  
5 County, BP-Amoco in Charleston, and the Bridgestone Firestone plant in Aiken.

6 Also included in this industrial service category was the service SCPC  
7 provided to its customers who operated gas-fired electric generation facilities.  
8 SCPC served Progress Energy's gas-fired generation stations at Robinson Plant in  
9 Hartsville, Columbia Energy's generation facilities in Calhoun County, Duke  
10 Power's generation at Buzzards' Roost in Greenwood County, and several gas-  
11 fired peaking units owned by SCE&G.

12 **Q. ON WHAT TERMS DID SCPC PROVIDE SERVICE TO ITS SALE FOR**  
13 **RESALE CUSTOMERS?**

14 A. SCPC served its sale for resale customers under contracts that specified the  
15 daily quantities of gas that SCPC had committed to deliver on a firm basis to meet  
16 the customer's peak winter demand. Customers paid a fixed monthly demand  
17 charge for each dekatherm of contract demand that they asked SCPC to stand  
18 ready to serve.

19 Under these firm contracts, SCPC provided both the delivery of the gas and  
20 the gas commodity itself as a single bundled service. To meet its merchant  
21 obligation under these contracts, SCPC purchased gas supplies, and related

1 upstream transportation and storage services in interstate markets. SCPC then  
2 used these assets (and its own system) to deliver gas supplies to its customers.  
3 Under the standard sale for resale contracts, customers paid for the gas they  
4 consumed based on the price SCPC had paid for that gas and the transportation  
5 and storage charges related to that gas.

6 SCPC also provided sale for resale customers with interruptible service,  
7 which they used principally to provide interruptible service to industrial customers  
8 located on their systems. However, as a general matter, SCPC's service to its sale  
9 for resale customers was characterized by firm service obligations for which  
10 customers paid a fixed monthly demand charge. In his pre-filed direct testimony,  
11 Mr. Conard, who is SCPC's Assistant Controller, provides a more detailed  
12 explanation of how these contracts worked and how SCPC computed and  
13 accounted for the charges under them.

14 **Q. PLEASE DESCRIBE THE COMPANY'S ISP-R PROGRAM.**

15 A. The ISP-R program was the principal mechanism that SCPC used to retain  
16 competitive industrial loads. It was initially authorized in Order No. 83-222 and  
17 reaffirmed in every annual PGA proceeding in the intervening 23 years. The  
18 program had been consistently upheld as beneficial for the system and all its  
19 customers.

20 The ISP-R allowed SCPC to quote competitive gas prices to its  
21 interruptible customers on a month-to-month basis to allow SCPC to compete with

1 alternative fuels. Under the ISP-R program, SCPC was allowed to allocate  
2 specific gas supply purchases to these sales to meet competitive prices.

3 **Q. WHAT WERE THE BENEFITS OF THE ISP-R PROGRAM?**

4 A. During the review period, the ISP-R continued to provide a degree of  
5 operational and cost stability for the firm market that could not be met by any  
6 other means. The ISP-R allowed SCPC to maintain competitive sales to industrial  
7 customers with alternative fuel sources by allocating available gas supplies to  
8 them at prices that competed with their alternative fuels. Through this mechanism,  
9 SCPC was able to make sales to interruptible customers that otherwise might not  
10 be made. The ISP-R also gave SCPC the flexibility to curtail the interruptible  
11 customers to satisfy firm customer demands when necessary. This arrangement  
12 promoted the more efficient use of SCPC's system and helped recover a portion of  
13 SCPC's fixed costs through industrial sales, costs that would otherwise be paid by  
14 the firm customers. In addition, by retaining service to interruptible customers  
15 through the ISP-R, SCPC had more flexibility and could purchase larger volumes  
16 of gas supply each month. Through the ISP-R program, SCPC was able to  
17 purchase supplies at the beginning of the month for use by interruptible customers  
18 that may become available to firm customers as firm demand increased with  
19 increasing cold weather. When firm market demands increased significantly,  
20 SCPC's priority-of-service curtailment plan allowed SCPC to curtail the  
21 interruptible customers and make lower-cost gas purchased earlier in the month



1 available for immediate use by firm customers. In sum, the ISP-R provided for  
2 pricing flexibility, enhanced system reliability, and contributed to system revenues  
3 and price stability.

4 **Q. PLEASE PROVIDE THE COMMISSION WITH AN UPDATE**  
5 **REGARDING THE COMPLETED MERGER BETWEEN SCPC AND SCG.**

6 A. After the Company's June 2004 public announcement of the intention to  
7 merge SCG into SCPC to form a single interstate natural gas transportation  
8 company, management began meeting with customers to discuss details of the  
9 merger plan. Confidential settlement discussions resulted in a filing by SCG and  
10 SCPC on February 27, 2006 of an application requesting that the Federal Energy  
11 Regulatory Commission ("FERC") approve an offer of settlement negotiated with  
12 the customer group and grant the authorizations necessary to permit the merger of  
13 SCG into SCPC to form a single, integrated interstate pipeline operated under  
14 FERC jurisdiction and to be called Carolina Gas Transmission Corporation or  
15 CGTC. None of SCPC's customers contested the settlement, and the South  
16 Carolina Office of Regulatory Staff filed comments with FERC in support of the  
17 proposed merger.

18 On July 20, 2006, FERC approved the application of SCG and SCPC and  
19 permitted the merger of SCG into SCPC to form a single, integrated interstate  
20 pipeline to be operated under the jurisdiction of FERC. SCPC's last day of  
21 providing intrastate services was October 31, 2006. On the following day of

1 November 1, 2006, the merger was consummated and CGTC began operating as  
2 an interstate pipeline under FERC jurisdiction.

3 **Q. WHAT ARE YOU REQUESTING OF THE COMMISSION IN THIS**  
4 **PROCEEDING?**

5 A. During the period under review, the Company prudently managed its  
6 business operations and appropriately recovered its gas costs and purchased its gas  
7 supplies. Therefore, on behalf of SCPC, I respectfully request that the  
8 Commission find that SCPC recovered its gas costs for the period under review  
9 consistent with its tariff and Commission orders and that it purchased its gas  
10 supplies in a prudent and reasonable manner.

11 **Q. DO YOU HAVE ANY REQUEST RELATED TO SCPC'S TARIFF, RATES**  
12 **AND TERMS AND CONDITIONS OF SERVICE CURRENTLY ON FILE**  
13 **WITH THE COMMISSION?**

14 A. Yes. The tariff, rates and terms and conditions of service on file with the  
15 Commission are no longer effective and no services are currently being rendered  
16 or have been rendered since October 31, 2006 under the intrastate tariff, rates and  
17 terms and conditions of service. CGTC does not provide any intrastate services  
18 and its interstate services are regulated by FERC and are provided pursuant to  
19 those tariffs, rates and terms and conditions on file with and approved by FERC.  
20 Therefore, the Company respectfully requests that the Commission cancel the  
21 tariff, rates and terms and conditions of record when it issues its final order in this

1 proceeding.

2 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS?**

3 A. Yes. This proceeding is believed to be the Company's final proceeding  
4 before this Commission for the purpose of addressing gas cost recovery,  
5 purchasing practices, intrastate service issues or any other issue. This proceeding  
6 thus brings to an end over 50 years of jurisdictional oversight and regulation by  
7 this Commission. The Company appreciates the professional and fair manner  
8 employed by the Commission in exercising this oversight and wishes to take this  
9 opportunity to say thank you for the professionalism and fairness shown time and  
10 again over more than a half century of intrastate regulation.

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes, it does.